

## Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 AID-20 EB-11 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 INT-08 FEA-02 SCI-06 NEA-11 COME-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01 /193 W

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R 311017Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9672

INFO AMEMBASSY MANILA

AMEMBASSY BANGKOK

AMEMBASSY SINGAPORE

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

C O N F I D E N T I A L TOKYO 1412

E.O. 11652: GDS

TAGS: PFOR, EAID, JA

SUBJ: TANAKA TRIP TO SOUTHEAST ASIA: FONOFF AND MITI ACCOUNTS  
OF ECONOMIC ASPECTS

REF: TOKYO 1153

SUMMARY: EMBOFF REVIEWED TANAKA TRIP WITH MITI AND FONOFF  
REPS. ACCORDING TO THEM, MAIN POINTS ON ECONOMIC SIDE COVERED  
BY TANAKA DURING TALKS WITH SOUTHEAST ASIA LEADERS INCLUDED  
ENERGY CRISIS AND MIDDLE EAST CONFLICT; ECONOMIC COOPERATION;  
SUPPLY OF JAPANESE MATERIALS TO SOUTHEAST ASIAN COUNTRIES; AND  
JAPANESE FOREIGN INVESTMENT IN AREA. RE MIDDLE EAST AND  
OIL CRISIS, TANAKA REPORTEDLY TOLD HOSTS THEY SHOULD QTE  
APPEAL TO UNQTE OAPEC TO UNDERSTAND PROBLEMS CREATED FOR THEM  
BY OIL PRODUCTION CUTBACKS AND PRICE INCREASES. ECONOMIC  
COOPERATION DISCUSSIONS RESULTED IN PROMISES OF ADDITIONAL  
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JAPANESE AID TO INDONESIA AND MALAYSIA, AND, IN CASE OF

THAILAND, SOFTENING OF TERMS OF PREVIOUSLY COMMITTED LOAN.  
RE SUPPLY OF JAPANESE MATERIALS TO SOUTHEAST ASIA COUNTRIES,  
TANAKA SAID JAPAN WELL AWARE OF IMPORTANCE TO ASIAN COUNTRIES  
OF ASSURED SUPPLY OF NECESSARY IMPORTS, BUT THIS PROBLEM'S  
OUTCOME DEPENDS ON OIL SHORTAGE. END SUMMARY

1. EMBOFF REVIEWED PM TANAKA'S TRIP TO SOUTHEAST ASIA WITH  
YAMADA, NEW HEAD, SOUTH ASIA-EAST EUROPE DIVISION, INTERNATIONAL  
TRADE POLICY BUREAU, MITI; AND, LATER, WITH WATANABE, DEPUTY  
HEAD, FIRST ECONOMIC COOPERATION DIVISION, FONO. THEY  
PROVIDED FOLLOWING ACCOUNT OF ECONOMIC TALKS BETWEEN TANAKA  
AND LEADERS OF COUNTRIES VISITED:

2. ENERGY CRISIS AND MIDDLE EAST CONFLICT. TANAKA EXPLAINED  
THAT OIL PRODUCTION CUTBACKS AND PRICE INCREASES RESULT IN  
REDUCED PRODUCTION AND HIGHER PRICES OF VARIOUS FOODS, CREATING  
DIFFICULTIES FOR LDC'S WHICH MUST IMPORT THESE FOODS. ASIAN  
COUNTRIES SHOULD THUS BE APPEALING TO OAPEC COUNTRIES CONCERNING  
THESE DIFFICULTIES.

3. ECONOMIC COOPERATION.

A) PHILIPPINES. TANAKA AND PRESIDENT MARCOS DISCUSSED  
APPROPRIATE MEANS FOR IMPLEMENTING YEN LOANS WHICH GOJ HAS  
ALREADY MADE TO PHILIPPINES. MARCOS SUGGESTED ADDITIONAL  
PROJECTS WHICH JAPAN MIGHT ASSIST, BUT TANAKA MADE NO  
PROMISES, SAID YAMADA. ON OTHER HAND, WATANABE INDICATED  
PHILIPPINES MAIN INTEREST WAS JAPANESE FIRMS' PARTICIPATION IN  
JOINT VENTURES WITH PHILIPPINE COMPANIES, AND WHETHER GOJ WOULD  
ENCOURAGE SUCH JOINT VENTURES. THERE ALSO SOME GENERAL TALK  
OF INFRASTRUCTURE PROJECTS RELATED TO THESE JOINT VENTURES.

B) THAILAND. OF YEN 64 BILLION LOAN MADE TO THAILAND  
IN APRIL 1972, YEN 46 BILLION WILL BE USED FOR PROJECTS.  
AS RESULT OF TANAKA'S VISIT, TERMS OF ONE HALF LATTER AMOUNT  
(YEN 23 BILLION) WERE FURTHER SOFTENED: OECF PORTION (HIN  
17 BILLION) FROM 3.25 PERCENT TO 2.75 PERCENT INTEREST AND EXIM  
BANK PORTION,  
(YEN 6 BILLION) FROM 5 PERCENT TO 4 PERCENT IN-  
TEREST.

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C) SINGAPORE: NO YEN CREDIT HAS BEEN GRANTED BY JAPAN TO  
SINGAPORE.

D) MALAYSIA. IMPLEMENTATION OF JAPAN'S SECOND YEN LOAN  
TO MALAYSIA IS GOING WELL. PM RAZAK REQUESTED THIRD YEN LOAN,  
AND PM TANAKI PROMISED THAT ADDITIONAL LOAN WILL BE GIVEN,  
WITH AMOUNT AND CONDITIONS TO BE DISCUSSED AT OFFICIALS

LEVEL.

E) INDONESIA. DISCUSSIONS ON INDONESIA WERE REPORTED IN TOKYO 1210 (NOTAL).

4. SUPPLY OF MATERIALS FROM JAPAN TO SOUTHEAST ASIA. DISCUSSIONS VARIED SOMEWHAT FROM COUNTRY TO COUNTRY BUT, GENERALLY, COUNTRIES EXPRESSED GREATEST INTEREST IN FERTILIZER, FOLLOWED IN DESCENDING ORDER OF IMPORTANCE BY PLASTIC MATERIALS (INCLUDING POLYETHYLENE, POLYSTYRENE, POLYPROPANE, AND POLYVINYL CHLORIDE), SYNTHETIC YARN, AND STEEL PRODUCTS. WITH RESPECT TO FERTILIZER, TUFAGA EXPLAINED THAT JAPANESE FERTILIZER INDUSTRY UNABLE INCREASE PRESENT PRODUCTION NEXT YEAR AND BEST APPROACH WOULD BE EFFORT DEVELOP SELF-SUFFICIENCY ON PART OF ASIAN COUNTRIES. GOJ AND JAPANESE BUSINESS READY TO COOPERATE IN EFFORT TOWARDS SELF-SUFFICIENCY WITH BOTH FUNDS AND TECHNOLOGY. TANAKA'S REMARKS CONCERNING OTHER PRODUCTS VARIED BY PRODUCT: IN SOME CASES HE COULD PROMISE CONTINUING SUPPLIES; IN SOME CASES HE COULD PROMISE ONLY THAT JAPAN WOULD MAKE EFFORTS TO CONTINUE SUPPLIES; AND IN SOME CASES HE COULD ONLY EXPLAIN DIFFICULTIES NOW FACING JAPANESE ECONOMY. IN EVERY CASE TANAKA EXPLAINED THAT HE UNDERSTOOD IMPORTANCE TO ASIAN COUNTRIES OF ASSURED SUPPLY OF NECESSARY ITEMS, BUT RESOLUTION OF THIS PROBLEM DEPENDS ON OIL SHORTAGE.

5. JAPANESE FOREIGN INVESTMENT IN ASIAN COUNTRIES. COUNTRIES VISITED DISPLAYED DIFFERENT FEELINGS TOWARDS JAPANESE INVESTMENT, WITH PHILIPPINES DISPLAYING MOST HOSPITABLE ATTITUDE; MALAYSIA AND SINGAPORE BEING QTE SO-SO UNQTE; AND WITH INDONESIA NEXT AND FINALLY THAILAND LEAST HOSPTIABLE. GOVERNMENTS OF ALL COUNTRIES THINK THAT JAPANESE INVESTMENT IS NECESSARY, AND EVERY GOVT REQUESTED

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THAT JAPANESE INVESTORS HONOR SOME KIND OF CODE OF BEHAVIOR. TANAKA REPLIED THAT NATURALLY JAPANESE BUSINESSES SHOULD HONOR LOCAL LAWS AND RESTRICTIONS. ON OTHER HAND, TANAKA REQUESTED THAT JAPANESE BUSINESSES BE TREATED FAIRLY. HE ASSURED EACH COUNTRY THAT JAPAN IS NOT AIMING AT ECONOMIC DOMINATION OF ASIAN COUNTRIES, BUT SUGGESTED THAT EACH GOVT INFORM ITS PEOPLE OF NEED FOR FOREIGN INVESTMENT AND ROLE JAPANESE BUSINESSES CAN PLAY IN DEVELOPMENT OF THEIR ECONOMIES; OTHERWISE, PEOPLE WITHOUT KNOWLEDGE OF FACTS MAY MISUNDERSTAND AND REACT EMOTIONALLY. IN EVERY COUNTRY VISITED, TANAKA SAID GOJ WOULD TAKE MORE INITIATIVE IN GUIDING ACTIVITIES OF JAPANESE FIRMS IN THOSE COUNTRIES, AND THAT GOJ WOULD MORE ACTIVELY PROMOTE GOVERNMENT-TO-

GOVERNMENT CONTACTS ON ECONOMIC MATTERS.

6. OTHER.

A) THAILAND. PM SANYA REQUESTED THAT JAPAN REDUCE ITS TRADE SURPLUS WITH THAILAND. TANAKA REPLIED THAT TRADE IMBALANCE SOMETIMES OCCURS DURING CERTAIN STAGE OF DEVELOPMENT, AND ALSO POINTED OUT JAPAN'S EXPERIENCE WITH TRADE WITH OWN POSTWAR YEARS. FOR THAILAND TO IMPROVE ITS TRADE IMBALANCE, SAID TANAKA, IT MUST DEVELOP NEW EXPORT ITEMS OR EXPORT ITEMS FOR WHICH STRONG DEMAND EXISTS IN JAPAN. IF THAILAND COULD EXPAND ITS EXPORTS OF MAIZE, RICE, GLUTINOUS RICE, AND TEXTILE PRODUCTS, IT COULD REDUCE ITS IMBALANCE WITH JAPAN BY \$100 MILLION.

B) TANAKA ALSO PROPOSED QTE YOUTH SHIP UNQTE ON WHICH SOUTHEAST ASIAN AND JAPANESE YOUTHS WOULD SAIL, VISIT EACH OTHERS' COUNTRIES, AND DEEPEN MUTUAL UNDERSTANDING OF ONE ANOTHER. SHOESMITH

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## Message Attributes

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